Exhibit No.:	
Issue(s):	*School Transportation Program, Imbalance/cash out calculations, and other portions of the tariff that impact the PGA*
Witness:	*Kimberly Tones*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Direct Testimony*
Case No.:	*GR-2024-0369*
Date Testimony Prepared:	*February 28, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

PROCUREMENT ANALYSIS DEPARTMENT

DIRECT TESTIMONY

OF

KIMBERLY K. TONES

UNION ELECTRIC COMPANY, d/b/a Ameren Missouri

CASE NO. GR-2024-0369

Jefferson City, Missouri
February 2025

** Denotes Confidential Information **

DIRECT TESTIMONY

OF

KIMBERLY K. TONES

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. GR-2024-0369

Q. Please state your name and business address.

A. My name is Kimberly Tones, and my business address is 200 Madison Street, Jefferson City, MO, 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as a Lead Senior Utility Regulatory Auditor with the Procurement Analysis Department ("PAD"). I have held this position since July 2021.

Q. Please describe your educational background and work experience?

A. I graduated from the University of Missouri-Columbia with a Bachelor of Science degree in Accountancy. I am a licensed Certified Public Accountant ("CPA") in the State of Missouri and Certified Internal Auditor ("CIA"). In my current position, I am responsible for reviewing Purchase Gas Adjustment ("PGA") filings and performing the annual true-up audit of the Actual Cost Adjustment ("ACA") balances for Missouri Local Distribution Companies ("LDCs"). I am also responsible for reviewing issues in rate cases that intersect with the PGA and ACA processes including transportation services, billed/unbilled revenues and billing adjustments.

Q. Have you previously filed testimony before this Commission?

A. No.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is twofold. First, I'll discuss Ameren Missouri's requested changes to the school transportation pilot program, cash out/imbalance calculations, and other sections of the tariff that impact the PGA/ACA processes and related recommendations. Second, I will discuss issues related to reported billed and unbilled revenues, revenue recognition, and related recommendations.

TRANSPORTATION TARIFF CHANGES

Q. Please describe Ameren Missouri's proposed transportation tariff changes that you are addressing today.

A. Ameren Missouri has requested several tariff changes including:

- clarifying that they have sole discretion in designating city gate locations for gas delivery to ensure they have flexibility in managing its gas supply and distribution system (Sheet 10 – Section 1, Michael W. Harding testimony, page 32);
- added a provision to ensure customers electing transportation services notify Ameren Missouri by July 1st which is used to inform capacity and supply planning for the upcoming winter season (Sheet 12, Michael W. Harding testimony, page 32);
- clarification that the commercial telephone line needs to be a dedicated analog telephone line to support reliable communication for meter reading and the process if a customer fails to maintain a dedicated line (Sheet 13, Michael W. Harding testimony, page 33);

- modifying the calculation method for daily negative imbalances greater than 5% to use 110% of the daily midpoint indexed commodity price which Ameren Missouri states better aligns the imbalance charges with actual costs incurred by Ameren Missouri (Sheet 13.2, Michael W. Harding testimony, page 33);
- removal of the Missouri School Boards' Association ("MSBA") Pilot Program based on language in the current tariff which states "The Pilot Program will terminate on conclusion of the Company's next general rate case." (Sheet 16, Michael W. Harding testimony, pages 33-34); and
- removes references to "fax" as a form of communication for Critical Day Notifications leaving telephone and e-mail as the primary methods for communicating critical information (Sheet 16.2, section C., Michael W. Harding testimony, page 34).

My testimony will focus on bullet points four and five regarding method for calculating imbalances charges and changes to the school transportation services.

Q. How did you evaluate the requested changes to the methods for cashing out imbalances?

A. Using data from the current ACA Case, GR-2025-0101, imbalance percentages across all transportation customer classes were calculated consistent with Ameren Missouri's tariff. This data is summarized in Schedule KKT-d1. A positive imbalance reflects an over delivered imbalance meaning that natural gas delivered exceeded usage (the marketer is "long" gas). Conversely, a negative imbalance reflects usage in excess of the volumes delivered to Ameren Missouri's system (the marketer is "short" gas). The imbalances reflect the total monthly imbalance for both daily (non-school transportation customers) and monthly balanced transportation customers (MSBA schools and non-MSBA schools). Imbalances within +/- 5% of net nominations are considered within tolerance and imbalances exceeding +/- 5% are considered outside tolerance. My interpretation of the data from the graph on Schedule KKT-d1, summarized in the table below, ** [redacted] **.

** [redacted] **

Q. Was there anything further you noted?

A. I also noticed the ** [redacted] **. Using the same imbalance percentage calculations, I created two additional graphs (see Schedule KKT-d2) ** [redacted] **.

Q. What do your observations lead you to conclude?

A. It would appear that the over delivery out of tolerance (in excess of 5%) based on 90% of gas daily midpoint (a.k.a gas daily average or "GDA") requires modification in addition to the under delivered out of tolerance method proposed by Ameren Missouri. There appears to be a risk that marketers, in certain situations, may have an incentive to over-deliver, possibly when daily prices are high. The structure of the cash-out mechanism could lead to the PGA sales customers paying for this extra gas at high daily prices.

Q. Turning to school transportation services, what is your position regarding the proposed elimination of the MSBA Pilot Program?

A. In Schedule KKT-d3 you'll see that there are currently three different matrices that reflect cash out pricing depending on the transportation customer type and whether the imbalance is over or under delivered and within or outside of the 5% tolerance. It seems logical that managing three different methods for determining the cash out charge or credit for essentially the same service creates inefficiencies that increase the costs associated with offering transportation services. Additionally, documents provided to support imbalance calculations provided by Ameren Missouri for ACA filings over the last three ACA cycles have included daily meter reads for the schools (both MSBA and non MSBA). From my perspective of having to use three different methods for recalculating imbalances during the ACA audit, having a single method would cut the time I would need to spend updating and applying these methods. It is likely the administrative cost could be greatly reduced by creating a single matrix that would be applicable to all transportation customers.

Q. Are recommending daily balancing for the schools; wouldn't that increase the costs to the school transportation customers?

A. No, not necessarily. In my opinion, there is an argument for daily balancing given that daily meter reads are currently available and have been provided to the Missouri Public Service Commission Staff ("Staff") or several ACA cycles. In an email exchange with Ameren Missouri regarding daily meter readings (Schedule KKT-d4), ** [redacted] **. It is my understanding, with advice of counsel, that schools are generally (with the exception of very large schools) not required to install EGM. The additional EGM charges per meter include an administrative charge of $45.73/month (tariff Sheet No. 10) plus a meter equipment charge of $21.00/month (tariff Sheet No.20) for a total of $66.73/month/meter. The applicability of those charges would have to be reviewed in light of the fact that Ameren Missouri's newer meters appear to have daily reading capability.

Q. Please summarize your recommendations.

A. My recommendation is twofold. First, it seems clear from the graphs in Schedule KKT-d2 that in addition to adding a multiplier to the gas daily pricing (110% of "GDA") for under deliveries outside of tolerance proposed by Ameren Missouri, that pricing for over delivered supplies also requires modification. Please see Cash Out matrix, Schedule KKT-d5. Staff recommends creating a Lesser of GDA or the PGA rate condition of over deliveries, which would create an incentive to stay within tolerance while protecting Ameren Missouri's firm sales customers from excessively higher daily pricing seen during winter storms such as Winter Storm Uri where daily prices were hundreds of dollars per million British Thermal Units "MMBTU". Second, ** [redacted]

[redacted] ** but it is clear that daily balanced customers are more likely to stay within tolerance which, as Ameren Missouri has stated, is imperative for maintaining system integrity.

BILLED AND UNBILLED REVENUES

Q. What is the purpose of your testimony as it relates to billed and unbilled revenues?

A. The primary purpose of my testimony is to discuss Ameren Missouri's ** [redacted] **.

Q. Could your observation simply reflect a timing difference?

A. A timing difference in accounting usually reflects the differences between two recognized accounting treatments such as the treatment of revenues and expenses reported for financial statement reporting and income tax reporting. In this situation, ** [redacted] **. Accounting Standards Codification 606 ("ASC 606") (see Schedule KKT-d9) is the revenue recognition standard that governs how revenue generated by public and private companies is recorded in their financial statements. ** [redacted] **.

Q. ** [redacted]

A. [redacted] **.

Q. ** [redacted]

A. [redacted] **.

Q. Are there other non-PGA/ACA impacts?

A. Yes. ** [redacted] **.

Q. Are you recommending that Ameren Missouri's tariff be revised to include a definition of billed revenues?

A. Yes. I am recommending that Ameren Missouri's tariff be revised to include all metered and/or billed revenues in the month reflecting the consumption of natural gas (matching principle) leaving only truly unmeasured volumes of natural gas consumed as a result of cycle billing at the end of a month in the estimate of unbilled revenues at the end of any given month. This recommendation is consistent with industry practices and ASC 606, and would improve transparency and provide comparability of billed revenues ** [redacted] **. Staff recommends that the tariff language on Sheet No. 27, section 6 be amended to reflect the following language: "6. The total gas cost recovered each month shall be equal to the product of all metered Ccf for that month for each rate classification times the sum of the applicable RPGA[1] and ACA factors. The RPGA factor will include, if applicable, the FAF factor."

Q. Have you considered what the cost would be to comply with ASC 606 and the impact on customer costs related to your recommendation?

A. Yes, and based on my understanding from various conversations and data requests, ** [redacted]

[1] "RPGA" is the abbreviation for Regular Purchased Gas Adjustment in Ameren Missouri's tariff.

[redacted] **.

** [redacted]

[redacted] **

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust Its Revenues for Natural Gas Service	)))	Case No. GR-2024-0369

AFFIDAVIT OF KIMBERLY K. TONES, CPA, CIA

STATE OF MISSOURI COUNTY OF COLE	)))	ss.

COMES NOW KIMBERLY K. TONES, CPA, CIA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Kimberly K. Tones, CPA, CIA*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

KK Tones

KIMBERLY K. TONES, CPA, CIA

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 20th day of February 2025.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D Suzie Mankin

Notary Public

Case No. GR-2024-0369

SCHEDULE KKT-d1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Case No. GR-2024-0369

SCHEDULE KKT-d2

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Non School Transportation		
Imbalance Type	Within Tolerance	Outside Tolerance
Negative Imbalances (Underdeliveries)	Greater of: GDA+$0.15/ccf or PGA rate	Greater of: GDA+$0.15/ccf or 110% of PGA
Positive Imbalances (Overdeliveries)	GDA	90% of GDA

MSBA Pilot Program		
Imbalance Type	Within Tolerance	Outside Tolerance
Negative Imbalances (Underdeliveries)	GDA	110% GDA
Positive Imbalances (Overdeliveries)	GDA	90% of GDA

School-Non MSBA Program		
Imbalance Type	Within Tolerance	Outside Tolerance
Negative Imbalances (Underdeliveries)	Greater of: GDA+$0.15/ccf or PGA rate	Greater of: GDA+$0.15/ccf or 110% of PGA
Positive Imbalances (Overdeliveries)	GDA	90% of GDA

GDA for monthly balanced transportation customers is the average of the daily midpoint prices for that month.

Case No. GR-2024-0369

SCHEDULE KKT-d4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

All Transportation Customers - Proposed		
Imbalance Type	Within Tolerance	Outside Tolerance
Negative Imbalances (Underdeliveries)	Greater of: GDA+$0.15/ccf or PGA rate	Greater of: 110% GDA+$0.15/ccf or 110% of PGA
Positive Imbalances (Overdeliveries)	Lesser of: GDA/ccf or PGA	Lesser of: 90% GDA/ccf or 90% of PGA

Case No. GR-2024-0369

SCHEDULE KKT-d6

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Case No. GR-2024-0369

SCHEDULE KKT-d7

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Case No. GR-2024-0369

SCHEDULE KKT-d8

HAS BEEN DEEMED

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IN ITS ENTIRETY

Source: https://www.wallstreetprep.com/knowledge/asc-606/

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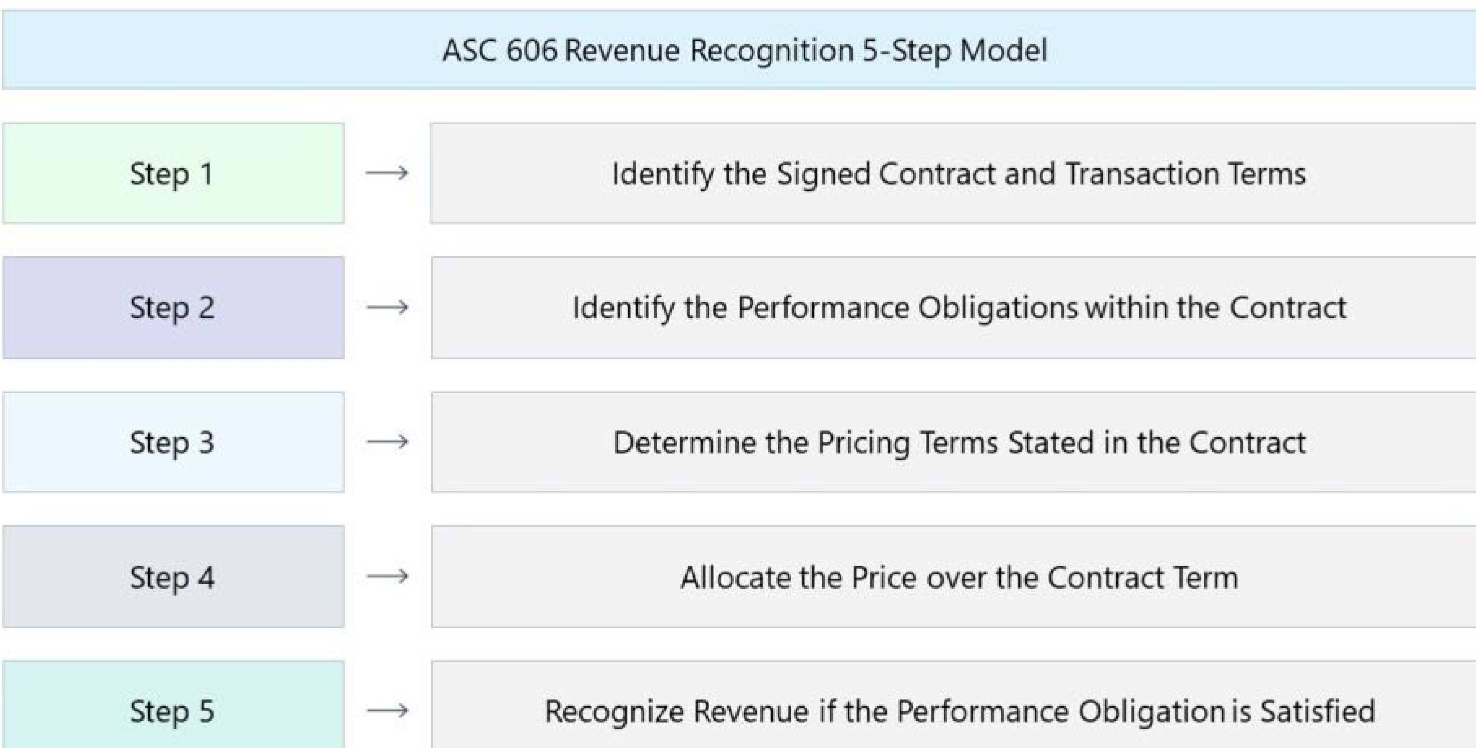
What is ASC 606?

ASC 606 is the revenue recognition standard established by the FASB and IASB that governs how revenue generated by public and private companies is recorded in their financial statements.

The effective date on which compliance with ASC 606 was mandated for public companies was set to start in all fiscal years after mid-December 2017, with an extra year offered to non-public companies.



How Does ASC 606 Impact Revenue Recognition?

Source: https://www.wallstreetprep.com/knowledge/asc-606/

Under ASC 606, companies are directed to recognize revenue in the period in which the good or service is transferred to the customer (and thus, "earned").

ASC stands for the "Accounting Standards Codification" and is intended to establish the best practices for reporting purposes among companies, both public and private, to ensure consistency and transparency in financial statement filings.

The ASC 606 principle was developed in conjunction with FASB and IASB to further standardize revenue recognition policies.

- "FASB" → Financial Accounting Standards Board
- "IASB" → International Accounting Standards Board

ASC 606 provides guidance on the recognition of revenue by companies with revenue models oriented around long-term contracts.

The relatively new accounting policy – a highly anticipated adjustment – addresses the topics of performance obligations and licensing agreements, which are two items that are increasingly prevalent in modern business models.

The ASC 606 framework offers step-by-step guidance to companies on the standards for how revenue is recognized, i.e. the treatment of "earned" revenue vs. "unearned" revenue.

ASC 606 Revenue Recognition: 5-Step Model

In order for revenue to be recognized, a financial arrangement among the parties involved must be evident (i.e. the seller delivering the good/service and the buyer receiving the benefits).

Within the transaction agreement, the specific events that denote the completion of the product or service delivery must be clearly stated, as well as the measurable pricing charged to the buyer (and the seller's collection of the proceeds post-sale and delivery should be reasonable).

The five-step revenue recognition model set forth by ASC 606 is as follows.

- **Step 1** → Identify the Signed Contract between the Seller and Customer
- **Step 2** → Identify the Distinct Performance Obligations within the Contract
- **Step 3** → Determine the Specific Transaction Price (and Other Pricing Terms) Stated in the Contract
- **Step 4** → Allocate the Transaction Price over the Contract Term (i.e. Multi-Year Obligations)
- **Step 5** → Recognize the Revenue if the Performance Obligations are Satisfied

Once the four steps are met, the final step is for the seller (i.e. the company obligated to deliver the good or service to the customer) to record the revenue earned, since the performance obligation was satisfied.

In effect, ASC 606 provided a more robust structure for revenue accounting for public and non-public companies, which, most importantly, became standardized across all industries.

Source: https://www.wallstreetprep.com/knowledge/asc-606/

ASC 606 Effective Dates: Accounting Compliance (FASB and IASB)

The objective of the updated revenue recognition standard was to eliminate inconsistencies in the methodology by which companies would record their revenue, especially across different industries.

Before the changes were implemented, the limited standardization in financial reporting made it difficult for investors and other consumers of the financial reports filed with the SEC, resulting in comparisons among different companies to sometimes be “apples-to-oranges”.

The effective date on which ASC 606 compliance became required is as follows:

- **Public Companies**: Start in all fiscal years after mid-December 2017
- **Private Companies (Non-Public)**: Start in all fiscal years after mid-December 2018

The nature of the transaction, the associated dollar amount, and the terms surrounding the timing of the delivery of the product or service must be considered by the accountant preparing (or auditing) the financials of a company.

Once ASC 606 became the new standard, it achieved the following goals:

1. The inconsistencies in revenue recognition policies utilized by different companies were removed, or at the very least, substantially reduced.
2. The majority of the “uncertain” areas of revenue recognition were clarified in the official document, which clearly outlines the specifics around the criteria for what constitutes revenue.
3. The comparability of revenue among companies, even for those operating in different industries, improved due to the increased consistency stemming from the stricter rules.
4. Companies are required to provide more details around any unclear parts of their revenue recognition, resulting in more in-depth disclosures in financial reports to supplement the core financial statements, i.e. the income statement, cash flow statement, and balance sheet.

What are the Different Revenue Recognition Methods?

The most common methods of revenue recognition are the following:

- **Sales-Basis Method** → Revenue is recorded once the purchased good or service is delivered to the customer, irrespective of whether the form of payment was cash or credit.
- **Percentage of Completion Method** → Revenue is recorded based on the percentage of the performance obligation completed, which is most applicable to multi-year contracts.
- **Cost-Recoverability Method** → Revenue is recorded once all of the costs associated with the completion of the performance obligation (and the transaction) are complete, i.e. the payment collected from a customer must exceed the cost of the services.
- **Installment Method** → Revenue is recorded after receipt of each installment payment from the customer, which is in compensation for the ongoing project (i.e. the delivery of the good/service).

Source: https://www.wallstreetprep.com/knowledge/asc-606/

- **Completed-Contract Method** → While seldom used in practice, revenue here is recognized once the entirety of the contract and performance obligations are fulfilled.

How Does ASC 606 Standard Affect Different Industries?

While the transition phase might have been inconvenient for certain companies, the objective of the new compliance standards is to make the process of revenue recognition simpler (and thus, easier for end users to interpret and understand the financial statements of companies).

The impact of ASC 606 was certainly not uniform across all industries.

- **Retail Industry** → For example, clothing retailers most likely saw minimal disruption or inconvenience from the switch. The retail business model is characterized by purchases of products and the recognition of revenue post-delivery at a single point in time, whether the customer paid using cash or on credit.

- **SaaS Industry** → Companies with business models with recurring sales such as those operating in the software-as-a-service (SaaS) industry with subscriptions and licenses most likely had a vastly different experience in terms of the adjustment period.

In accordance with the revenue recognition principle, revenue is expected to be recognized in the period in which the good or service was actually delivered (i.e. "earned"), so delivery is the determinant of when revenue is recorded on the income statement.

Learn More → Revenue Recognition Q&A (FASB)

ASC 606 Example: B2B SaaS Multi-Year Customer Contracts

Suppose a B2B SaaS business offers its clients the option to pick a specific type of pricing plan, such as quarterly, annual, or multi-year payment plans.

Notably, upfront payments are accepted for services not anticipated to be received by the customer for more than twelve months. But whichever plan the customer picks, the service is delivered on a monthly basis.

Each specific contractual obligation contained within the customer contract (and the corresponding pricing and performance obligation) determines the timing of the revenue recognition.

If we assume one corporate client signed a contract with an average order value (AOV) of $6 million upfront for four years of services, the company cannot record the entire one-time customer payment in the current period.

Instead, revenue can only be recognized after each month over the four-year term, or 48 months.

- Average Order Value (AOV) = $6 million

- Number of Months = 48 Months

By dividing the AOV by the total number of months, the "earned" revenue each month is $125,000.

- Monthly Recognized Revenue = $6 million ÷ 48 Months = $125,000

Source: https://www.wallstreetprep.com/knowledge/asc-606/

If we multiply the monthly revenue by the number of months in a year, 12 months, the annual recognized revenue is $1,500,000.

- Annual Recognized Revenue = $125,000 × 12 Months = $1,500,000

In the final step, we can multiply annual revenue by four years to arrive at our AOV of $6 million, confirming our calculations so far are correct.

- Total Recognized Revenue, Four-Year Term = $1,500,000 × 4 Years = $6 million

ASC 606 Revenue Recognition: Deferred Revenue Concept

Our example in the prior section introduces the concept of deferred revenue, which describes the event wherein the company collects cash payment from a customer before the actual delivery of the good or service.

In other words, the performance obligation of the company has not yet been met. The cash payment collected from the customer was received in advance because the company is obligated to provide a specified benefit to the customer on a future date.

With that said, the deferred revenue, often referred to as “unearned revenue”, is recorded in the liabilities section of the balance sheet, as the cash was received and all that remains is for the company to fulfill its responsibilities as part of the signed agreement.

Until the unmet obligation of the company is fulfilled, the cash received from the customer cannot be recorded as revenue.

The prepayment is captured by the deferred revenue line item on the balance sheet and will remain there until the company “earns” the revenue. The period in which the good or service was delivered determines the timing of when the revenue is formally recognized as well as the associated costs per the matching principle.